

38-3010  
VILLAGE OF BROOKLYN  
JACKSON COUNTY - MICHIGAN  
FINANCIAL STATEMENTS  
Year Ended June 30, 2004

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>VILLAGE OF BROOKLYN</b>	County <b>JACKSON</b>
Audit Date <b>6/30/04</b>	Opinion Date <b>10/1/04</b>	Date Accountant Report Submitted to State: <b>12/23/04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Requirements for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

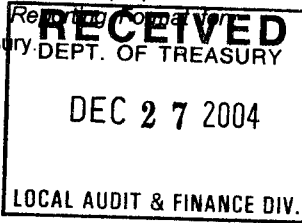
We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |



## We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>DOVE &amp; HICKEY, P.L.C.</b>			
Street Address <b>209 E. WASHINGTON AVE., STE 255</b>		City <b>JACKSON</b>	State <b>MI</b>
Accountant Signature <i>Jay Dove CPA</i>		ZIP <b>49201</b>	Date <b>12/23/04</b>

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# Dove & Hickey, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## MEMBERS:

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

GEORGE DOVE, C.P.A.  
PAUL T. HICKEY, C.P.A.  
NANNETTE M. SPONSLER, C.P.A.  
ALLISON I. COLE, C.P.A.

## INDEPENDENT AUDITOR'S REPORT

Village Council  
Village of Brooklyn  
Jackson County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Brooklyn as of and for the year ended June 30, 2004, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Brooklyn's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Brooklyn as of June 30, 2004, and the respective changes in position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 11 the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of June 30, 2004.

The management's discussion and analysis and the budgetary comparison schedule, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Brooklyn's basic financial statements. The combining fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Dove & Hickey, P.L.C.*

October 1, 2004

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## VILLAGE OF BROOKLYN MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Village of Brooklyn's financial performance provides an overview of the Village's financial activities for the fiscal year ended June 30, 2004. Please read it in conjunction with the Village's financial statements which follow.

### **Financial Highlights**

The following represents the most significant financial highlights for the year ended June 30, 2004:

- Property tax revenues, the Village of Brooklyn's largest single revenue source, totaled \$302,277 in all funds this year, representing a decrease of 5.4 percent from last fiscal year. This decrease primarily reflects a reduced total tax rate of 1.4243 mills. The tax base of the community has increased from \$25.1 million to \$28.3 million (12.7%) as the Village continues to realize considerable residential, and commercial development. Between 1993 and 2003, the Village has experienced an average annual increase of 6.1 percent in taxable value, from \$17.5 million in 1993 to almost \$28.3 million in 2003.
- State-shared revenue, a major source of revenue for the Village's General Fund, continued its downward trend of the past several years. The Village received \$120,059 in the 2004 fiscal year, a reduction of \$5,504, or 4 percent, from last year and a reduction of \$33,588, or more than 22 percent, from 2002 funding levels. This revenue reduction is masked by the increase in tax revenues resulting from a growing tax base. However, the serious impact of decreasing state-shared revenues will become more apparent as tax base growth slows. The Village's proactive response to the decline in state-shared revenue is to closely monitor and continually evaluate General Fund revenue trends as well as expenditure trends, especially in the areas of personnel benefit costs and staffing levels and discretionary programming and capital projects, in order to achieve economies of scale, operational efficiencies, cost reductions, and justification for capital expenditures.
- Total long-term liabilities for business-type activities is \$1,515,000, (last year = \$1,590,000) a reduction of \$75,000, or 5 percent, from the previous year. This reduction reflects a continuing effort by the Village Council and administration to maintain a "pay-as-you-go" basis for funding General Fund, Streets, and Enterprise Funds capital projects to minimize the need to incur additional debt. However, the Village is facing a \$1.5 million project for water system improvements mandated by the State, to be financed by revenue bonds. The Village will be reviewing its water and sewer rate structures to ensure that use rates maintain acceptable levels of working capital while providing the funding necessary to complete projected capital improvement programs.
- Total fund balances for Village funds decreased approximately \$149,600 and represent planned and authorized reductions by the Village Council to permit a general property tax cut and to undertake capital projects and acquisitions. These included installation of new high-flow water mains, South Main Street streetscape improvements, and development of auxiliary roads to help maintain traffic during Main Street reconstruction.

## Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements.

## The Village of Brooklyn as a Whole

The following table shows a condensed format of the net assets as of June 30, 2004. the management's discussion and analysis will present a comparative statement of net assets next year when we have two years of statements in this new format:

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
Current and Other Assets	\$ 501,642	\$ 529,663	\$1,031,305
Non-current - Capital Assets	629,987	1,843,469	2,473,456
<b>TOTAL ASSETS</b>	<b>1,131,629</b>	<b>2,373,132</b>	<b>3,504,761</b>
<b>LIABILITIES</b>			
Other liabilities	16,612	113,686	130,298
Long-term liabilities	5,400	1,440,000	1,445,400
<b>TOTAL LIABILITIES</b>	<b>22,012</b>	<b>1,553,686</b>	<b>1,575,698</b>
<b>NET ASSETS</b>			
Invested in capital assets - Net of related debt	629,987	371,062	1,001,049
Unrestricted	479,630	359,936	839,566
Restricted	-0-	88,448	88,448
<b>TOTAL NET ASSETS</b>	<b>\$1,109,617</b>	<b>\$ 819,446</b>	<b>\$1,929,063</b>

The Village's combined net assets for both governmental and business-type activities total \$1,929,063 for fiscal year 2004. Net assets are further segregated between restricted and unrestricted net assets. The restricted net assets, assets that are restricted and invested in capital assets, total \$1,089,497. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, total approximately \$839,566.

## The Village of Brooklyn as a Whole (Continued)

The following table shows the change in net assets for the year ended June 30, 2004.

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>REVENUE</b>			
Program revenue:			
Charges for services	\$ 45,343	\$ 477,083	\$ 522,426
Operating grants and contributions	85	-0-	85
Capital grants and contributions	292,768	-0-	292,768
General Revenue:			
Property taxes	241,425	60,852	302,277
State-shared revenues	213,254	-0-	213,254
Interest	4,421	4,093	8,514
Transfers	(121,065)	121,065	-0-
<b>TOTAL REVENUE</b>	<b>676,231</b>	<b>663,093</b>	<b>1,339,324</b>
<b>EXPENSES</b>			
General government	199,404	-0-	199,404
Public Safety	26,263	-0-	26,263
Highways, Streets and bridges	174,377	-0-	174,377
Building Inspection	9,802	-0-	9,802
Culture and Recreation	32,232	-0-	32,232
Water and Sewer	-0-	532,404	532,404
<b>TOTAL EXPENSES</b>	<b>442,078</b>	<b>532,404</b>	<b>974,482</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ 234,153</b>	<b>\$ 130,689</b>	<b>\$ 364,842</b>

### Governmental Activities

Governmental activities are those activities (such as public safety and street improvement and maintenance) provided to the constituents of the Village and supported by financing from property taxes and state-shared revenues.

The cost of providing services for governmental activities was \$442,078 for fiscal year 2004. Additionally, revenues for governmental activities totaled \$676,231, which netted to an increase in net assets for the year of \$234,153. The increase is mainly attributed to \$292,768 in capital grants and contributions from federal and state governments for the South Main Street streetscape project.

### Business-type Activities

Business-type activities are those that are financed primarily by charges for services or user fees. The Village's business-type activities consist of the Water and Sewer Funds; these types of operations are most similar to private businesses.



## **The Village's Funds**

These funds have been established to manage funds for specific purposes: General Fund which pays for most of the Village's governmental services, Street Funds (including Local Streets, Major Streets, and Street Tax Receiving Funds), Water Fund, and Sewer Fund. The General Fund and Street Funds are supported by local property taxes and state-shared revenue. The Water and Sewer Funds are supported by user fees and occasional appropriations from the General Fund. Debt service in the Sewer Fund is supported by a tax levy.

## **Budgetary Highlights**

Over the course of the year, the Village administration and Village Council monitor the budget, and if necessary, amend the budget to take into account anticipated events that occur during the year. As previously stated, fund balances related to the Village's governmental funds decreased approximately \$149,600. The following provides specific details regarding the amendments:

- A total of \$121,065 was transferred from the General Fund unreserved fund balances to the Water Fund to provide funding for major improvements to water mains along S. Main Street during highway reconstruction.
- Unanticipated expenditures of approximately \$28,000 were approved in the Street Funds for repair and maintenance of the Mill Street bridge.

## **Capital Asset and Debt Administration**

At the end of fiscal year 2004, the Village had \$2,473,456 invested in capital assets (land, buildings, equipment, vehicles, and water and sewer lines). These assets are necessary to carry out the day-to-day operations of the Village.

## **Economic Factors and Next Year's Budgets and Rates**

The national economy is demonstrating some indications of recovery during 2004 and 2005. However, Michigan's fiscal crisis is entering its fifth year. State revenues are at their lowest since 1970. A majority of these reductions were self-inflicted. Enacted state tax cuts have eroded the State's ability to generate revenue; the State's fiscal reserves are depleted, and the state economic rebound is lagging behind the national recovery. During fiscal year 2004 and into 2005, the Village anticipates a significant reduction in state-shared revenues and grants. To date, these revenue reductions have been masked because of our growth and increased property tax revenues. To ensure sustainability of our operations, the Village is closely monitoring reserve balances, revenues, and expenditures.

## **Contacting the Village's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Village's finances and to show the Village's accountability for the revenue it receives. If you have any questions about this report or need additional information, we invite you to contact the Brooklyn Village Manager.

VILLAGE OF BROOKLYN  
GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
Year Ended June 30, 2004

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Cash and investments	\$ 431,550	\$ 275,803	\$ 777,464
Receivables	3,387	40,166	43,553
Internal balances	12,649	(12,649)	-0-
Due from other governmental units	54,056	95,302	149,358
Restricted assets	-0-	88,448	18,337
Other assets	-0-	42,593	42,593
Capital assets - net	<u>629,987</u>	<u>1,843,469</u>	<u>2,473,456</u>
Total assets	<u>1,131,629</u>	<u>2,373,132</u>	<u>3,504,761</u>
<b><u>LIABILITIES</u></b>			
Accounts payable and accrued liabilities	14,812	20,144	34,956
Accrued interest	-0-	18,542	18,542
Compensated absences:			
Due within one year	1,800	-0-	1,800
Due in more than one year	5,400	-0-	5,400
Long-term debt:			
Due within one year	-0-	75,000	75,000
Due in more than one year	<u>-0-</u>	<u>1,440,000</u>	<u>1,440,000</u>
Total liabilities	<u>22,012</u>	<u>1,553,686</u>	<u>1,575,698</u>
<b><u>NET ASSETS</u></b>			
Invested in capital assets net of related debt	629,987	371,062	1,001,049
Unrestricted	479,630	359,936	839,566
Restricted	<u>-0-</u>	<u>88,448</u>	<u>88,448</u>
Total net assets	<u>\$1,109,617</u>	<u>\$ 819,446</u>	<u>\$1,929,063</u>

See accompanying notes to financial statements.

**VILLAGE OF BROOKLYN**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2004

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Charges for Expenses	Operating Services	Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b><u>Functions/Programs</u></b>							
<b>GOVERNMENTAL ACTIVITIES:</b>							
General government	\$ 199,404	\$ 33,019	\$ 85	\$ -0-	(\$ 166,300)	\$ -0-	(\$ 166,300)
Building inspections	9,802	12,324	-0-	-0-	2,522	-0-	2,522
Public Safety	26,263	-0-	-0-	-0-	(26,263)	-0-	(26,263)
Public works	174,377	-0-	-0-	292,768	118,391	-0-	118,391
Culture and recreation	<u>32,232</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(32,232)</u>	<u>-0-</u>	<u>(32,232)</u>
Total governmental activities	<u>442,078</u>	<u>45,343</u>	<u>85</u>	<u>292,768</u>	<u>(103,882)</u>	<u>-0-</u>	<u>(103,882)</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>							
Water	140,259	195,454	-0-	-0-	-0-	55,195	55,195
Sewer	<u>392,145</u>	<u>281,629</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(110,516)</u>	<u>(110,516)</u>
Total business-type activities	<u>532,404</u>	<u>477,083</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(55,321)</u>	<u>(55,321)</u>
Total government	<u>\$ 974,482</u>	<u>\$ 522,426</u>	<u>\$ 85</u>	<u>\$ 292,768</u>	<u>(103,882)</u>	<u>(55,321)</u>	<u>(159,203)</u>
<b>GENERAL REVENUES:</b>							
Property taxes					241,425	60,852	302,277
State-shared revenues					213,254	-0-	213,254
Investment earnings					4,421	4,093	8,514
Transfers-internal activities					<u>(121,065)</u>	<u>121,065</u>	<u>-0-</u>
Total general revenues and transfers					<u>338,035</u>	<u>186,010</u>	<u>524,045</u>
CHANGES IN NET ASSETS					234,153	130,689	364,842
NET ASSETS - BEGINNING OF YEAR					<u>875,464</u>	<u>688,757</u>	<u>1,564,221</u>
NET ASSETS - END OF YEAR					<u>\$1,109,617</u>	<u>\$ 819,446</u>	<u>\$1,929,063</u>

See accompanying notes to financial statements.

VILLAGE OF BROOKLYN  
BALANCE SHEET -  
GOVERNMENTAL FUNDS  
June 30, 2004

	General Fund	Major Streets Funds	Street Tax Receiving Funds	Other Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash and investments	\$ 265,542	\$ 11,073	\$ 144,541	\$ 10,394	\$ 431,550
Due from other funds	146,486	12,595	-0-	12,693	171,774
Receivables	3,387	-0-	-0-	-0-	3,387
Due from other governments	<u>38,233</u>	<u>12,005</u>	<u>-0-</u>	<u>3,818</u>	<u>54,056</u>
Total assets	<u>\$ 453,648</u>	<u>\$ 35,673</u>	<u>\$ 144,541</u>	<u>\$ 26,905</u>	<u>\$ 660,767</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ 9,425	\$ 330	\$ -0-	\$ 1,102	\$ 10,857
Accrued liabilities	3,198	475	-0-	282	3,955
Due to other funds	<u>35,281</u>	<u>4,009</u>	<u>28,441</u>	<u>3,371</u>	<u>71,102</u>
Total liabilities	<u>47,904</u>	<u>4,814</u>	<u>28,441</u>	<u>4,755</u>	<u>85,914</u>
Fund balances:					
Unreserved, reported in:					
General fund	405,744	-0-	-0-	-0-	405,744
Special Revenue funds	<u>-0-</u>	<u>30,859</u>	<u>116,100</u>	<u>22,150</u>	<u>169,109</u>
Total fund balances	<u>405,744</u>	<u>30,859</u>	<u>116,100</u>	<u>22,150</u>	<u>574,853</u>
Total liabilities and fund balances	<u>\$ 453,648</u>	<u>\$ 35,673</u>	<u>\$ 144,541</u>	<u>\$ 26,905</u>	<u>\$ 660,767</u>

See accompanying notes to financial statements.

VILLAGE OF BROOKLYN  
RECONCILIATION OF FUND BALANCES ON THE  
BALANCE SHEET FOR GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS -  
GOVERNMENTAL FUNDS  
June 30, 2004

Fund balances - total Governmental funds	\$ 574,853
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	541,964
Compensated absences are not due and payable in the current period and are not reported in the funds	<u>(7,200)</u>
Net assets of governmental activities	<u>\$1,109,617</u>

See accompanying notes to financial statements.

VILLAGE OF BROOKLYN  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2004

	General Fund	Major Streets Funds	Street Tax Receiving Funds	Other Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Property taxes	\$ 129,359	\$ -0-	\$ 112,066	\$ -0-	\$ 241,425
Intergovernmental	120,059	54,710	-0-	38,485	213,254
Licenses and permits	14,212	-0-	-0-	12,324	26,536
Fines and forfeitures	50	-0-	-0-	-0-	50
Interest, penalties and rents	2,748	538	538	597	4,421
Equipment rent	11,140	-0-	-0-	-0-	11,140
Contributions from individuals	85	-0-	-0-	-0-	85
Miscellaneous	<u>7,617</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>7,617</u>
Total revenues	<u>285,270</u>	<u>55,248</u>	<u>112,604</u>	<u>51,406</u>	<u>504,528</u>
<b>EXPENDITURES:</b>					
Current:					
General government	121,093	-0-	-0-	-0-	121,093
Public safety	26,263	-0-	-0-	-0-	26,263
Highways and streets	18,759	92,463	-0-	63,155	174,377
Building Department	-0-	-0-	-0-	9,802	9,802
Culture and recreation	27,938	-0-	-0-	-0-	27,938
Other services	74,510	-0-	-0-	-0-	74,510
Capital outlay	<u>99,106</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>99,106</u>
Total expenditures	<u>367,669</u>	<u>92,463</u>	<u>-0-</u>	<u>72,957</u>	<u>533,089</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(82,399)</u>	<u>(37,215)</u>	<u>112,604</u>	<u>(21,551)</u>	<u>(28,561)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	-0-	47,000	-0-	21,000	68,000
Transfers (out)	<u>(121,065)</u>	<u>-0-</u>	<u>(68,000)</u>	<u>-0-</u>	<u>(189,065)</u>
Total other financing sources (uses)	<u>(121,065)</u>	<u>47,000</u>	<u>(68,000)</u>	<u>21,000</u>	<u>(121,065)</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	(203,464)	9,785	44,604	(551)	(149,626)
<b>FUND BALANCES - BEGINNING OF YEAR, AS RESTATED</b>	<u>609,208</u>	<u>21,074</u>	<u>71,496</u>	<u>22,701</u>	<u>724,479</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 405,744</u>	<u>\$ 30,859</u>	<u>\$ 116,100</u>	<u>\$ 22,150</u>	<u>\$ 574,853</u>

See accompanying notes to financial statements.

VILLAGE OF BROOKLYN  
RECONCILIATION OF STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
June 30, 2004

Net change in fund balance - total Governmental funds	(\$ 149,626)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	102,422
Depreciation on capital assets reported as part of governmental activities	(13,211)
Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds (GASB No. 33)	292,768
Accumulated employee sick pay, are recorded when earned in the statement of activities	<u>1,800</u>
Changes in net assets of governmental activities	<u>\$234,153</u>

See accompanying notes to financial statements.

VILLAGE OF BROOKLYN  
STATEMENT OF NET ASSETS -  
PROPRIETARY FUND  
June 30, 2004

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water Supply System	Sanitary Sewer System	Total	Internal Service Fund
<u>ASSETS</u>				
Cash and cash equivalents	\$ 139,800	\$ 136,003	\$ 275,803	\$ -0-
Receivables:				
Accounts receivable	15,606	24,560	40,166	-0-
Due from County - sewer project	-0-	95,302	95,302	-0-
Due from other funds	14,949	10,667	25,616	-0-
Restricted assets	-0-	88,448	88,448	-0-
Total current assets	<u>170,355</u>	<u>354,980</u>	<u>525,335</u>	<u>-0-</u>
Capital assets - net	589,417	1,254,052	1,843,469	88,023
Unamortized bond expense	-0-	42,593	42,593	-0-
Total noncurrent assets	<u>589,417</u>	<u>1,296,645</u>	<u>1,886,062</u>	<u>88,023</u>
Total assets	<u>\$ 759,772</u>	<u>\$1,651,625</u>	<u>\$2,411,397</u>	<u>\$ 88,023</u>
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities:				
Accounts payable	\$ 1,979	\$ 17,119	\$ 19,098	\$ -0-
Accrued expenses	1,892	17,696	19,588	-0-
Current maturities on revenue bonds	10,000	15,000	25,000	-0-
Current maturities on advances from County	-0-	50,000	50,000	-0-
Due to other funds	<u>5,019</u>	<u>33,246</u>	<u>38,265</u>	<u>88,023</u>
Total current liabilities	<u>18,890</u>	<u>133,061</u>	<u>151,951</u>	<u>88,023</u>
Long-term debt:				
Advances from County - sewer project	-0-	1,275,000	1,275,000	-0-
Revenue bonds payable	<u>130,000</u>	<u>35,000</u>	<u>165,000</u>	<u>-0-</u>
Total noncurrent liabilities	<u>130,000</u>	<u>1,310,000</u>	<u>1,440,000</u>	<u>-0-</u>
Total liabilities	<u>148,890</u>	<u>1,443,061</u>	<u>1,591,951</u>	<u>88,023</u>
Net assets:				
Investment in capital assets net of related debt	449,417	(78,355)	371,062	-0-
Unrestricted	161,465	198,471	359,936	-0-
Restricted	-0-	88,448	88,448	-0-
Total net assets	<u>610,882</u>	<u>208,564</u>	<u>819,446</u>	<u>-0-</u>
Total liabilities and net assets	<u>\$ 759,772</u>	<u>\$1,651,625</u>	<u>\$2,411,397</u>	<u>\$ 88,023</u>

See accompanying notes to financial statements.



VILLAGE OF BROOKLYN  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS -  
PROPRIETARY FUND  
Year Ended June 30, 2004

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water Supply System	Sanitary Sewer System	Total	Internal Service Fund
OPERATING REVENUES:				
Charges for services and penalties	\$ 195,454	\$ 281,629	\$ 477,083	\$ 41,481
Total operating revenues	<u>195,454</u>	<u>281,629</u>	<u>477,083</u>	<u>41,481</u>
OPERATING EXPENSES:				
Salaries and wages	41,078	38,341	79,419	-0-
Payroll taxes	3,110	2,389	5,499	-0-
Fringe benefits	12,366	15,242	27,608	-0-
Office supplies	1,135	1,105	2,240	-0-
Operating supplies	2,536	55	2,591	-0-
Professional fees	12,483	4,534	17,017	-0-
Communications	922	777	1,699	-0-
Insurance and bonds	2,250	3,157	5,407	-0-
Utilities	11,817	5,612	17,429	-0-
Repairs and maintenance	11,795	10,249	22,044	19,534
Equipment rentals	10,732	9,226	19,958	-0-
Treatment fees	-0-	107,000	107,000	-0-
Transmission fees	-0-	63,637	63,637	-0-
Miscellaneous	1,665	645	2,310	-0-
Conferences	1,030	-0-	1,030	-0-
Depreciation	19,480	54,406	73,886	21,947
Amortization	-0-	4,101	4,101	-0-
Refunds	-0-	576	576	-0-
Total operating expenses	<u>132,399</u>	<u>321,052</u>	<u>453,451</u>	<u>41,481</u>
OPERATING INCOME (LOSS)	<u>63,055</u>	<u>(39,423)</u>	<u>23,632</u>	<u>-0-</u>
NON-OPERATING REVENUES (EXPENSES):				
Property taxes	-0-	60,852	60,852	-0-
Interest income	1,184	2,909	4,093	-0-
Interest expense	(7,860)	(71,093)	(78,953)	-0-
Total non-operating revenues (expenses) - net	<u>(6,676)</u>	<u>(7,332)</u>	<u>(14,008)</u>	<u>-0-</u>
INCOME (LOSS) BEFORE TRANSFERS	56,379	(46,755)	9,624	-0-
Transfers in	<u>121,065</u>	<u>-0-</u>	<u>121,065</u>	<u>-0-</u>
CHANGES IN NET ASSETS	177,444	(46,755)	130,689	-0-
NET ASSETS, BEGINNING OF YEAR, AS RESTATED	<u>433,438</u>	<u>255,319</u>	<u>688,757</u>	<u>-0-</u>
NET ASSETS, END OF YEAR	\$ <u>610,882</u>	\$ <u>208,564</u>	\$ <u>819,446</u>	\$ <u>-0-</u>

See accompanying notes to financial statements.

VILLAGE OF BROOKLYN  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2004

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers	\$ 195,799	\$ 283,831	\$ 479,630
Payments to employees	(56,148)	(55,667)	(111,815)
Payments to suppliers	(66,553)	(205,373)	(271,926)
Internal activity - Payments to other funds	<u>(41,836)</u>	<u>(4,299)</u>	<u>(46,135)</u>
Net cash provided (used) by operating activities	<u>31,262</u>	<u>18,492</u>	<u>49,754</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
Property taxes levied	-0-	60,852	60,852
Transfers from other funds	<u>121,065</u>	<u>-0-</u>	<u>121,065</u>
Net cash provided (used) by non-capital financing activities	<u>121,065</u>	<u>60,852</u>	<u>181,917</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Construction/acquisition of capital assets	(138,165)	(4,251)	(142,416)
Principal paid on long-term debt	(10,000)	(65,000)	(75,000)
Interest paid on long-term debt	<u>(7,943)</u>	<u>(72,111)</u>	<u>(80,054)</u>
Net cash provided (used) by capital and related financing activities	<u>(156,108)</u>	<u>(141,362)</u>	<u>(297,470)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest income	<u>1,184</u>	<u>2,115</u>	<u>3,299</u>
Net cash provided (used) by investing activities	<u>1,184</u>	<u>2,115</u>	<u>3,299</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(2,597)	(59,903)	(62,500)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>142,397</u>	<u>284,354</u>	<u>426,751</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 139,800</u>	<u>\$ 224,451</u>	<u>\$ 364,251</u>
<b>STATEMENT OF NET ASSETS CLASSIFICATION OF CASH AND CASH EQUIVALENTS:</b>			
Cash and investments	\$ 139,800	\$ 136,003	\$ 275,803
Restricted assets	<u>-0-</u>	<u>88,448</u>	<u>88,448</u>
Total	<u>\$ 139,800</u>	<u>\$ 224,451</u>	<u>\$ 364,251</u>

See accompanying notes to financial statements.

VILLAGE OF BROOKLYN  
STATEMENT OF CASH FLOWS (Concluded)  
PROPRIETARY FUNDS  
Year Ended June 30, 2004

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Operating income (loss)	\$ 63,055	(\$ 39,423)	\$ 23,632
Adjustment to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	19,480	54,406	73,886
Amortization	-0-	4,101	4,101
Changes in assets and liabilities:			
Usage fees receivable	344	2,203	2,547
Due from other funds	(10,052)	(3,483)	(13,535)
Inventories	447	-0-	447
Accounts payable and other accrued liabilities	(10,228)	1,504	(8,724)
Due to other funds	<u>(31,784)</u>	<u>(816)</u>	<u>(32,600)</u>
Net cash provided (used) by operating activities	<u>\$ 31,262</u>	<u>\$ 18,492</u>	<u>\$ 49,754</u>

See accompanying notes to financial statements.

VILLAGE OF BROOKLYN  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Brooklyn (the "Village") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village of Brooklyn.

Reporting Entity

The Village of Brooklyn is governed by an elected eight-member Village Council with a Village Manager appointed by the Council to carry out the policies that it establishes. The accompanying financial statements present the Village's entities for which the Village is considered to be financially accountable. The Village has no component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

VILLAGE OF BROOKLYN  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

GASB No. 34 requires the Village to report and depreciate new infrastructure assets effective with the beginning of the current year. Infrastructure assets include roads, bridges, traffic signals, etc. The Village has elected not to report major general infrastructure assets retroactively.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	50 years
Water and sewer transportation lines	40 years
Streets	40 years
Sidewalks and land improvements	20 to 25 years
Furnishings, vehicles and equipment	3 to 10 years

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are considered to be fully collectible.

VILLAGE OF BROOKLYN  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Assets or Equity (Continued)

Compensated Absences - It is the policy to permit eligible employees to accumulate earned but unused sick pay benefits. Sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Long-term Obligations - In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

VILLAGE OF BROOKLYN  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary funds. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Village reports the following major governmental funds:

General Fund - The General Fund is the Village's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Major Street Fund - The Major Street Fund is used to account for state-shared revenues received for the purpose of construction and maintenance of the Village's major roads.

Street Tax Receiving Fund - The Street Tax Receiving Fund is used to account for property taxes received under a specially assessed millage.

VILLAGE OF BROOKLYN  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation  
(Continued)

The Village reports the following major proprietary funds:

Water Fund - The Water Fund is used to account for the results of operations for providing water service to the citizens and businesses of the Village. The fund's primary revenues are generated through user charges from those requesting water service.

Sewer Fund - The Sewer Fund is used to account for the results of operations for providing sewer service to the citizens and businesses of the Village. The primary revenues are generated through user charges from those requesting sewer service and taxes received under a specially assessed millage.

Additionally, the Village reports the following fund types:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of earmarked revenue or financing activities requiring separate accounting because of legal or regulatory provisions.

Internal Service Fund - The Internal Service Fund accounts for fleet and equipment management to other departments of the government on a cost reimbursement basis.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Village's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.



VILLAGE OF BROOKLYN  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation  
(Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer and water enterprise funds and of the government's internal service fund are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end. Before June 1, the proposed budget is submitted to the Village Council for review. Public hearings are held, and a final budget is adopted no later than June 30. The Village Council must approve any budget amendments.

The appropriated budget is prepared by fund, activity, and line items. The legal level of budgetary control is the activity level.

The government does not utilize encumbrance accounting.

Excess of Expenditures Over Appropriations

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended June 30, 2004, the government incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control as follows:

	<u>Amended</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Culture and recreation	\$ 27,000	\$ 27,938	(\$ 938)
Transfers out	108,000	121,065	(13,065)

## NOTES TO FINANCIAL STATEMENTS

June 30, 2004

### 3. DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91, authorizes the Village to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classification which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Village Council has designated two banks for the deposit of Village funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in the instruments approved by the State statutory authority as listed above.

The Village's deposits and investment policy are in accordance with statutory authority.

At year end, the Village's deposits and investments were reported in the basic financial statements under the heading of cash and investments, and restricted assets as follows:

Governmental activities	\$ 431,550
Business-type activities	<u>364,251</u>
Total government	<u>\$ 795,801</u>

The bank balance of the Village's deposits is \$543,680 of which \$100,000 is covered by federal depository insurance.

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Village or its agent in the Village's name.
2. Uninsured and unregistered, with the securities held by the counterparty's trust department or agent in the Village's name.
3. Uninsured and unregistered, with the securities held by the counterparty or by its trust department or agent but not in the Village's name.

At June 30, 2004, the Village had no category 1-3 risk investments.

VILLAGE OF BROOKLYN  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2004

3. DEPOSITS AND INVESTMENTS (Continued)

At year end the Village's investment balances were as follows:

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Nonrisk-Categorized:		
Bank investment -		
Government Pooled Fund	\$ 107,646	\$ 107,646
Government Trust		
Mutual Fund	<u>158,672</u>	<u>158,672</u>
Total Investments	\$ <u>266,318</u>	\$ <u>266,318</u>

The fair value of the Government Pooled Fund is the same as the value of pool shares.

4. RESTRICTED ASSETS

Restricted assets at June 30, 2004, consist of cash totaling \$88,448. The assets are restricted for the purposes of servicing debt. Net assets have been reserved for an amount equal to the restricted assets.

VILLAGE OF BROOKLYN  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2004

5. CAPITAL ASSETS

Capital asset activity of the Village's governmental activities and business-type activities was as follows:

	Balance <u>July 1, 2003</u>	<u>Additions</u>	Disposals and <u>Adjustments</u>	Balance <u>June 30, 2004</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ <u>28,900</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>28,900</u>
Capital assets being depreciated:				
Buildings and improvements	111,858	3,317	-0-	115,175
Improvements other than buildings	69,568	391,874	-0-	461,442
Furnishings, vehicles, and equipment	<u>380,355</u>	<u>60,363</u>	<u>65,500</u>	<u>375,218</u>
Total capital assets being depreciated	<u>561,781</u>	<u>455,554</u>	<u>65,500</u>	<u>951,835</u>
Less: accumulated depreciation:				
Buildings and improvements	59,073	1,654	-0-	60,727
Improvements other than buildings	21,667	3,014	-0-	24,681
Furnishings, vehicles, and equipment	<u>244,986</u>	<u>30,491</u>	<u>10,137</u>	<u>265,340</u>
Total accumulated depreciation	<u>325,726</u>	<u>35,159</u>	<u>10,137</u>	<u>350,748</u>
Total capital assets being depreciated - net	<u>236,055</u>	<u>420,395</u>	<u>55,363</u>	<u>601,087</u>
Total capital assets - net	\$ <u>264,955</u>	\$ <u>420,395</u>	\$ <u>55,363</u>	\$ <u>629,987</u>

VILLAGE OF BROOKLYN  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2004

5. CAPITAL ASSETS (Continued)

	Balance July 1, 2003	Additions	Disposals and Adjustments	Balance June 30, 2004
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 36,000	\$ -0-	\$ -0-	\$ 36,000
Construction in progress	<u>71,766</u>	<u>-0-</u>	<u>71,766</u>	<u>-0-</u>
Total capital assets not being depreciated	<u>107,766</u>	<u>-0-</u>	<u>71,766</u>	<u>36,000</u>
Capital assets being depreciated:				
Buildings and improvements	500,136	-0-	-0-	500,136
Water and sewer transportation lines	2,412,159	214,183	-0-	2,626,342
Equipment	<u>25,169</u>	<u>-0-</u>	<u>-0-</u>	<u>25,169</u>
Total capital assets being depreciated	<u>2,937,464</u>	<u>214,183</u>	<u>-0-</u>	<u>3,151,647</u>
Less: accumulated depreciation:				
Buildings and improvements	186,246	14,261	-0-	200,507
Water and sewer transportation lines	1,062,720	58,713	-0-	1,121,433
Equipment	<u>21,326</u>	<u>912</u>	<u>-0-</u>	<u>22,238</u>
Total accumulated depreciation	<u>1,270,292</u>	<u>73,886</u>	<u>-0-</u>	<u>1,344,178</u>
Total capital assets being depreciated - net	<u>1,667,172</u>	<u>140,297</u>	<u>-0-</u>	<u>1,807,469</u>
Total capital assets - net	<u>\$1,774,938</u>	<u>\$ 140,297</u>	<u>\$ 71,766</u>	<u>\$1,843,469</u>

VILLAGE OF BROOKLYN  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2004

5. CAPITAL ASSETS (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 8,917
Culture and recreation	4,294
Capital assets held by government's internal service fund are charged to the various functions based on their usage of the assets	<u>21,947</u>
Total governmental activities	<u>\$ 35,158</u>
Business-type activities:	
Water Fund	\$ 19,480
Sewer Fund	<u>54,406</u>
Total business-type activities	<u>\$ 73,886</u>

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Individual fund interfund receivable and payable balances as of June 30, 2004, are as follows:

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 146,486	\$ 35,281
Building Department Fund	-0-	26
Major Street Fund	12,595	4,009
Local Street Fund	12,693	3,345
Street Tax Receiving Fund	-0-	28,441
Internal Service Fund	-0-	88,023
Water Fund	14,949	5,019
Sewer Fund	<u>10,667</u>	<u>33,246</u>
Total	<u>\$ 197,390</u>	<u>\$ 197,390</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions recorded in the accounting system, and payments between funds are made.

Interfund transfers:

Fund transferred from:	Fund transferee to:	
General Fund	Water Fund	\$ 121,065
Street Tax Receiving Fund	Major Street Fund	47,000
Street Tax Receiving Fund	Local Streets Fund	<u>21,000</u>
		<u>\$ 189,065</u>

VILLAGE OF BROOKLYN  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2004

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

The transfers from the Street Tax Receiving Fund to the Major and Local Streets Funds represent property taxes receipted in the Street Tax Receiving Fund and transferred to the benefiting funds as needed.

The transfer of \$121,065 from the General Fund to the Water Fund represents the amount approved by the Village Council to fund a portion of the water system replacement and betterments along South Main Street.

7. LONG-TERM DEBT

The Village issues bonds to provide for the construction of major capital assets. County contractual agreements are general obligations of the Village.

Advances from County - for sewer project in annual installments at 4.25% to 7.25% interest. Interest payable March and September, principal payable in September.	\$1,325,000
Revenue bonds - Sanitary Sewer System, due in annual installments at 4.736% interest. Interest payable May and November, principal payable in November.	50,000
Revenue bonds - Water Supply System, due in annual installments at 5.503% interest. Interest payable May and November, principal payable in November.	<u>140,000</u>
Total business-type activities	<u>\$1,515,000</u>

Bond and contractual obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:				
County contractual obligations:				
1996 Village sewer line extension	\$1,375,000	(\$ 50,000)	\$1,325,000	\$ 50,000
1986 sewer extension bond	65,000	(15,000)	50,000	15,000
1988 water extension bond	<u>150,000</u>	<u>(10,000)</u>	<u>140,000</u>	<u>10,000</u>
Total business-type activities	<u>\$1,590,000</u>	<u>(\$ 75,000)</u>	<u>\$1,515,000</u>	<u>\$ 75,000</u>

VILLAGE OF BROOKLYN  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2004

7. LONG-TERM DEBT (Continued)

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End June 30</u>	<u>Business-type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2005	\$ 75,000	\$ 75,104	\$ 150,104
2006	95,000	69,490	164,490
2007	105,000	63,772	168,772
2008	100,000	58,823	158,823
2009	90,000	54,124	144,124
2010 - 2014	625,000	182,044	807,044
2015 - 2017	<u>425,000</u>	<u>30,312</u>	<u>455,312</u>
Total	<u>\$1,515,000</u>	<u>\$ 533,669</u>	<u>\$2,048,669</u>

8. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village participates in the Michigan Municipal League liability and property pool. The Village has had no settled claims resulting from these risks that exceeded their insurance coverage in any of the past three fiscal years.

9. PROPERTY TAX

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time they are added to the county tax rolls.

The Village's 2003 tax is levied and collectible on December 1, 2003, and is recognized as revenue in the year ended June 30, 2004, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2003 taxable valuation of the Village totaled \$28,278,933 on which ad valorem taxes levied consisted of 4.4163 mills for operating purposes, 3.9061 mills for streets and 2.1198 mills for sanitary sewer debt. This resulted in \$124,952 for operating, \$110,304 for streets, and \$59,355 for sanitary sewers fund. These amounts are recognized in the General Fund and Raised Streets Sewer Fund financial statements as tax revenue (net of reductions for delinquent amounts and prior year tax tribunal changes).



VILLAGE OF BROOKLYN  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2004

10. DEFINED BENEFIT PENSION PLAN (MICHIGAN MUNICIPAL EMPLOYEE'S RETIREMENT SYSTEM)

Plan Description

The Village participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the Village. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at: 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The Village is required to contribute at an actuarially determined rate; the current rate is 7.62% of annual covered payroll. Village employees are required to contribute 3 percent of the first \$4,200 of annual compensation and 5 percent of portions over \$4,200. The contribution requirements of the Village are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the Village, depending on the MERS contribution program adopted by the Village.

Annual Pension Costs

For year ended 2004, the Village's annual pension cost of \$11,857 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2001, using the entry actual age cost method. Significant actuarial assumptions used include (i) 8 percent investment rate of return; (ii) projected salary increases of 4.5 percent per year based upon an age related scale to reflect merit longevity, and promotional salary increases. The actuarial value of assets is determined on the basis of a method that calculates expected investment income at the valuation rate of return and adds a portion of the difference between the expected investment income and actual investment income earned on a market value basis. The unfunded actuarial liability is being amortized as a level percent of payroll on an open basis. The remaining amortization period is 30 years.

Trend Information for The Village of Brooklyn

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/02	\$ 9,577	100%	\$ -0-
6/30/03	\$ 10,395	100%	\$ -0-
6/30/04	\$ 11,857	100%	\$ -0-

VILLAGE OF BROOKLYN  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2004

10. DEFINED BENEFIT PENSION PLAN (MICHIGAN MUNICIPAL EMPLOYEE'S RETIREMENT SYSTEM) (Continued)

Schedule of Funding Progress for the Village of Brooklyn

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as of % of Covered Payroll ((b-a)/c)
12/31/00	\$602,086	\$ 664,447	\$ 62,361	90.6	\$ 144,446	43.2%
12/31/01	\$645,242	\$ 689,077	\$ 43,835	93.6	\$ 145,364	30.2%
12/31/02	\$665,026	\$ 736,343	\$ 71,317	90.3	\$ 150,058	47.5%
12/31/03	\$717,011	\$ 829,348	\$ 112,337	86.5	\$ 168,245	66.8%

11. ACCOUNTING AND REPORTING CHANGE

As of and for the year ended June 30, 2004, the Village implemented Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. The Village of Brooklyn has applied the provisions of this statement in the accompanying financial statements (including the notes to the financial statements). The Village has elected to implement both the general provisions of the statement and the retroactive reporting of the infrastructure in the current year. Certain significant changes in the statement include the following:

- A management's discussion and analysis section providing an analysis of the Village's overall financial position and results of operations
- Financial statements prepared using full accrual accounting for all of the Village's activities
- A change in the fund financial statements to focus on the major funds
- Capital assets at July 1, 2003 previously reported in the General Fixed Assets Account Group have been adjusted to reflect the historical cost of the Village's capital assets at the date.

VILLAGE OF BROOKLYN  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2004

11. ACCOUNTING AND REPORTING CHANGE (Continued)

As a result of implementing GASB 34 for the fiscal year ended June 30, 2004, the following restatements were made to the net asset accounts:

Government-wide Financial Statements - Beginning net assets for governmental activities was determined as follows:

Equity at June 30, 2003, as previously reported	\$ 566,339
Effect of recognizing state-shared revenue received within 60 days of year end	53,170
Effect of recording full accrual information on the government-wide statements:	
Capital assets	264,955
Compensated absences	<u>(9,000)</u>
Net assets - July 1, 2003	\$ <u>875,464</u>

REQUIRED SUPPLEMENTAL INFORMATION

VILLAGE OF BROOKLYN  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
Year Ended June 30, 2004

	Original <u>Budget</u>	Amended <u>Budget</u>	<u>Actual</u>	Variance With Amended <u>Budget</u>
<b>REVENUES:</b>				
Property taxes	\$ 129,000	\$ 129,000	\$ 129,359	\$ 359
Intergovernmental	125,400	125,400	120,059	(5,341)
Licenses and permits	8,000	8,000	14,212	6,212
Fines and forfeitures	500	500	50	(450)
Interest, penalties and rents	16,100	16,100	2,748	(13,352)
Equipment rent	50,000	50,000	11,140	(38,860)
Refunds	1,000	1,000	-0-	(1,000)
Contributions from individuals	1,000	1,000	85	(915)
Miscellaneous	<u>11,500</u>	<u>11,500</u>	<u>7,617</u>	<u>(3,883)</u>
Total revenues	<u>342,500</u>	<u>342,500</u>	<u>285,270</u>	<u>(57,230)</u>
<b>EXPENDITURES:</b>				
Current:				
General government	190,000	191,800	121,093	70,707
Public Safety	33,800	33,800	26,263	7,537
Highways and streets	22,000	22,000	18,759	3,241
Culture and recreation	27,000	27,000	27,938	(938)
Other services	139,050	148,050	74,510	73,540
Capital outlay	<u>200,000</u>	<u>120,000</u>	<u>99,106</u>	<u>20,894</u>
Total expenditures	<u>611,850</u>	<u>542,650</u>	<u>367,669</u>	<u>174,981</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(269,350)</u>	<u>(200,150)</u>	<u>(82,399)</u>	<u>117,751</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers (out)	<u>-0-</u>	<u>(108,000)</u>	<u>(121,065)</u>	<u>(13,065)</u>
Total other financing sources (uses)	<u>-0-</u>	<u>(108,000)</u>	<u>(121,065)</u>	<u>(13,065)</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	(269,350)	(308,150)	(203,464)	104,686
<b>FUND BALANCE - BEGINNING OF YEAR, AS RESTATED</b>	<u>609,208</u>	<u>609,208</u>	<u>609,208</u>	<u>-0-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 339,858</u>	<u>\$ 301,058</u>	<u>\$ 405,744</u>	<u>\$ 104,686</u>

See accompanying notes to financial statements.

VILLAGE OF BROOKLYN  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE - MAJOR STREET FUND  
Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
<b>REVENUES:</b>				
Intergovernmental	\$ 60,000	\$ 60,000	\$ 54,710	(\$ 5,290)
Interest	<u>500</u>	<u>500</u>	<u>538</u>	<u>38</u>
Total revenues	<u>60,500</u>	<u>60,500</u>	<u>55,248</u>	<u>(5,252)</u>
<b>EXPENDITURES:</b>				
Current:				
Highways, streets and bridges	<u>140,500</u>	<u>140,500</u>	<u>92,463</u>	<u>48,037</u>
Total expenditures	<u>140,500</u>	<u>140,500</u>	<u>92,463</u>	<u>48,037</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(80,000)</u>	<u>(80,000)</u>	<u>(37,215)</u>	<u>42,785</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	<u>85,000</u>	<u>85,000</u>	<u>47,000</u>	<u>(38,000)</u>
Total other financing sources (uses)	<u>85,000</u>	<u>85,000</u>	<u>47,000</u>	<u>(38,000)</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	5,000	5,000	9,785	4,785
<b>FUND BALANCE - BEGINNING OF YEAR, AS RESTATED</b>	<u>21,074</u>	<u>21,074</u>	<u>21,074</u>	<u>-0-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 26,074</u>	<u>\$ 26,074</u>	<u>\$ 30,859</u>	<u>\$ 4,785</u>

See accompanying notes to financial statements.

VILLAGE OF BROOKLYN  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE - STREET TAX RECEIVING FUND  
Year Ended June 30, 2004

	Original <u>Budget</u>	Amended <u>Budget</u>	<u>Actual</u>	Variance With Amended <u>Budget</u>
<b>REVENUES:</b>				
Property taxes	\$ 110,700	\$ 110,700	\$ 112,066	\$ 1,366
Interest	<u>2,000</u>	<u>2,000</u>	<u>538</u>	<u>(1,462)</u>
Total revenues	<u>112,700</u>	<u>112,700</u>	<u>112,604</u>	<u>(96)</u>
<b>EXPENDITURES:</b>				
Current:				
Highways, streets and bridges	<u>2,500</u>	<u>2,500</u>	<u>-0-</u>	<u>2,500</u>
Total expenditures	<u>2,500</u>	<u>2,500</u>	<u>-0-</u>	<u>2,500</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>110,200</u>	<u>110,200</u>	<u>112,604</u>	<u>2,404</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers (out)	<u>(110,000)</u>	<u>(110,000)</u>	<u>(68,000)</u>	<u>42,000</u>
Total other financing sources (uses)	<u>(110,000)</u>	<u>(110,000)</u>	<u>(68,000)</u>	<u>42,000</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	200	200	44,604	44,404
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>71,496</u>	<u>71,496</u>	<u>71,496</u>	<u>-0-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 71,696</u>	<u>\$ 71,696</u>	<u>\$ 116,100</u>	<u>\$ 44,404</u>

See accompanying notes to financial statements.

## OTHER SUPPLEMENTAL INFORMATION



VILLAGE OF BROOKLYN  
OTHER SUPPLEMENTAL INFORMATION  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
June 30, 2004

	<u>Building Department</u>	<u>Local Street</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and investments	\$ 5,616	\$ 4,778	\$ 10,394
Due from other funds	-0-	12,693	12,693
Due from other governments	<u>-0-</u>	<u>3,818</u>	<u>3,818</u>
Total assets	\$ <u>5,616</u>	\$ <u>21,289</u>	\$ <u>26,905</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 660	\$ 442	\$ 1,102
Accrued liabilities	-0-	282	282
Due to other funds	<u>26</u>	<u>3,345</u>	<u>3,371</u>
Total liabilities	<u>686</u>	<u>4,069</u>	<u>4,755</u>
Fund balances:			
Unreserved	<u>4,930</u>	<u>17,220</u>	<u>22,150</u>
Total liabilities and fund balances	\$ <u>5,616</u>	\$ <u>21,289</u>	\$ <u>26,905</u>

See accompanying notes to financial statements.

VILLAGE OF BROOKLYN  
OTHER SUPPLEMENTAL INFORMATION  
COMBINING STATEMENT OF REVENUE, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
NON-MAJOR GOVERNMENTAL FUNDS

	<u>Building Department</u>	<u>Local Street</u>	<u>Total</u>
REVENUES:			
Intergovernmental	\$ -0-	\$ 38,485	\$ 38,485
Licenses and permits	12,324	-0-	12,324
Interest and penalties	<u>26</u>	<u>571</u>	<u>597</u>
Total revenues	<u>12,350</u>	<u>39,056</u>	<u>51,406</u>
EXPENDITURES:			
Highways and streets	-0-	63,155	63,155
Building Department	<u>9,802</u>	<u>-0-</u>	<u>9,802</u>
Total expenditures	<u>9,802</u>	<u>63,155</u>	<u>72,957</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,548</u>	<u>(24,099)</u>	<u>(21,551)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	<u>-0-</u>	<u>21,000</u>	<u>21,000</u>
Total other financing sources (uses)	<u>-0-</u>	<u>21,000</u>	<u>21,000</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	2,548	(3,099)	(551)
FUND BALANCE - BEGINNING OF YEAR, AS RESTATED	<u>2,382</u>	<u>20,319</u>	<u>22,701</u>
FUND BALANCE - END OF YEAR	\$ <u><u>4,930</u></u>	\$ <u><u>17,220</u></u>	\$ <u><u>22,150</u></u>

See accompanying notes to financial statements.

# Dove & Hickey, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

209 E. Washington Ave., Suite 255 • Jackson, Michigan 49201  
Phone (517) 796-8880 • Fax (517) 796-8777

## MEMBERS:

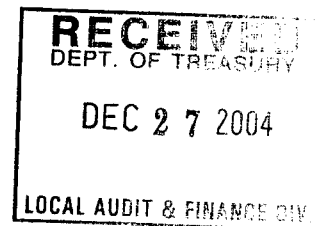
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

GEORGE DOVE, C.P.A.  
PAUL T. HICKEY, C.P.A.  
NANNETTE M. SPONSER, C.P.A.  
ALLISON I. COLE, C.P.A.

October 1, 2004

Village Council  
Village of Brooklyn  
P.O. Box 96  
Brooklyn, Michigan 49230-0096



## Council Members:

We recently completed the audit of the financial statement of the Village of Brooklyn for the year ended June 30, 2004. In addition to the audit report, we offer the following comments and suggestions for your consideration.

In planning and performing our audit of the financial statements of the Village of Brooklyn for the year ended June 30, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated October 1, 2004, on the financial statements of the Village. We will review the status of these comments during our next audit engagement. Our comments and recommendations, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

### Internal Control Considerations

During the audit, we noted that journal entries entered by an employee are not reviewed by management. We suggest that the Village Manager review and authorize non-standard journal entries.

### Enterprise Fund Receivables

The Village should establish procedures to ensure that enterprise fund receivables for usage are reconciled no less than monthly to the respective subsidiary ledgers.

Village of Brooklyn

October 1, 2004

Page 2

Deposit with County

The County has approximately \$95,000, which represents interest earned on the sewer extension bond proceeds. The Village may use these funds to make bond payments or for other sewer fund uses.

Budgets

P.A. 621 of 1978, as amended, provides that a local government unit shall not incur expenditures in excess of the amount appropriated. The Village incurred expenditures in excess of the amount appropriated in two activities. The Village should amend the budget before this occurs.

We believe that implementation of these recommendations will provide the Village with a stronger system of internal accounting control while also making its operations more efficient. We will be happy to discuss the details of these recommendations with you and assist in any way possible with their implementation. This report is intended solely for the information and use of the Council, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully yours,

*Dove & Hickey, P.L.C.*